
ACTIONABLE TAX COMPLIANCE IN UGANDA: LESSONS FROM OTHER COUNTRIES



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LIST OF ACRONYMS

ASYCUDA	Automated System for Customs Data	MoF	Ministry of Finance
BoU	Bank of Uganda	MRA	Malawi Revenue Authority
CIT	Corporate Income Tax	NIRA	National Identification & Registration Authority
COVID-19	Corona Virus Disease	OAU	Objections and Appeals Unit
DOC	Department of Customs	PAYE	Paye As You Earn
EFRIS	Electronic Fiscal Receipting and Invoicing Solution	PCA	Post Clearance Audit
EMS	Emerging Markets	PCA	Post Clearance Audit
FY	Financial Years	RRA	Rwanda Revenue Authority
GDP	Gross Domestic Product	SMS	Small and Medium Enterprises
GRS	Georgia Revenue Service	TAT	Tax Appeals Tribunal
IAD	Independent Internal Audit	TIN	Tax Identification Number
ICT	Information Technology	TREP	Tax Registration Expansion Program
ICTD	International Centre for Tax and Development	TREP	Tax Registration Expansion Programme
IFMS	Integrated Financial Management System	TREP	Taxpayer Register Expansion Programme
IT	Information Technology	UNCTAD	United Nations Conference on Trade and Development
KCCA	Kampala Capital City Authority	URA	Uganda Revenue Authority
LIC	Lower Income countries	URSB	Uganda Registration Services Bureau
LRA	Lesotho Revenue Authority	VAT	Value Added Tax
MDAs	Ministries, Departments and Agencies	ZIMRA	Zimbabwe Revenue Authority

1 INTRODUCTION

With the advent of the COVID-19 pandemic in 2019/20, Uganda experienced an erosion of tax collection, reflecting the decline in economic activities and possible deterioration in tax compliance. Indeed, following the outbreak, the country's revenue underperformed with revenue shortfalls of UGX 3,593 billion, UGX 2,376 billion and UGX 706 billion during the 2019/20, 2020/21 and 2021/22 financial years (FY), respectively. Throughout these periods, most of this under-performance was mainly concentrated within domestic taxes¹ especially income taxes, where tax liability is determined through self-assessment. Moreover, Uganda has persistently lagged behind its regional neighbours regarding tax revenue mobilisation. A comparison with other countries shows that Uganda's tax revenue to GDP, currently at 12.2 percent is still below the Sub-Saharan Africa average of approximately 18.5 percent. In addition, Uganda lags behind her East Africa Community neighbours, such as Kenya (15.1 percent) and Rwanda (14.6 percent), in 2018/19.² The situation underscores the importance of improvement in tax administrative measures, given the critical need to generate fiscal resources for addressing socio-economic development needs and safeguarding debt sustainability through enhancing revenue mobilisation.

Uganda's persisted low tax effort is partly attributed to widespread tax evasion and non-compliance across the tax compliance framework, attributed to various factors. Considering taxpayer registration, Mayega *et al.* (2019)³ reported that serious inaccuracies manifest regarding taxpayer information provided at the time of registration. In this regard, taxpayers' email addresses and telephone numbers are frequently duplicated. Regarding the filing of declarations, Waiswa *et al.* (2020) reported that most taxpayers find filing, amending, responding to queries and appealing to Uganda Revenue Authority (URA) decisions extremely cumbersome. Besides, submitting low-quality tax returns with inaccurate taxpayer information remains a serious threat to revenue collection (Occhiali and Kalyango, 2021). Furthermore, tax audit and enforcement remain low; as of 2020, as high as 86 percent of individuals and

about 44 percent of non-individual taxpayers did not file income tax (Mayega *et al.* 2019). Other reasons include inadequately trained URA personnel, a large informal sector, poor bookkeeping by businesses, and the complexity of the tax system, among others.

Past reforms to improve tax administration at URA aimed to enhance taxpayer facilitation, enforcement, and public trust in government over taxes. The facilitation reforms aimed at achieving: first, automation of tax services of both domestic and custom tax processes to simplify registration, filing, payments and strengthening information management. Second, enhanced taxpayer education by increasing the budget for tax education campaigns and disseminating taxpayer education through various media outlets and education institutions. Third, the establishment of URA offices across the country to bring its services closer to the public through the Taxpayer Register Expansion Programme (TREP). Fourth, implement URA staff motivation programmes to attain high client service delivery. On the other hand, the enforcement reforms aimed to increase taxpayer monitoring and improve tax collection efficiency—through improving tax systems to detect non-compliance, improving data analysis, audits and investigations, as well as enhancing access to taxpayer information. Whereas all the above reforms have enhanced Uganda's voluntary compliance, there is scope to continue improving them.

Indeed, the above reforms remain inadequate in certain areas; for instance, despite digitisation of tax services, taxpayers reported that the current tax system remains difficult (Waiswa *et al.* 2020); coverage of taxpayer education services remains limited, and most taxpayers remain unaware of the existing tax education programmes; nearly 55 percent of URA staff remain dissatisfied with their staff welfare programmes (*ibid*). On the other hand, tax enforcement measures remain weak and limited, targeting only a few taxpayers. Moreover, URA's access to third-party information has been derailed by political interference and a lack of integration of the URA system with external stakeholders, including government agencies, commercial banks, and utility companies. Besides, little attention is given to small taxpayers while URA's enforcement team

¹ For instance, during the FY 2019/20 and 2020/21, domestic collections were UGX 2,368.81 billion and 1,894.18 billion, short of the target compared to UGX 1,220.25 billion and UGX 495.48 billion for custom taxes respectively.

² <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=UG>

³ African Tax Administration Paper 12, Brighton: Institute of Development Studies

remains grossly understaffed, with the highest taxpayer-to-tax-administrator ratio compared to other African peers (*ibid*).

Given Uganda's daunting challenges in mobilising domestic revenue, the paramount question to policymakers now is "how" to mobilise sufficient tax revenue and more so considering the economic challenges posed by the disruptions caused by COVID-19. The questions that frequently arise are: "What have other countries done to increase revenue collection?" "How fast can a country boost tax revenue?" Answers to these questions would provide a useful tool to assist policymakers in their revenue mobilisation efforts.

Against this background, the present study takes a comprehensive analysis of revenue-raising compliance measures along a tax compliance framework undertaken in Lower Income countries (LIC) and Emerging markets (EMs) to increase tax revenues over the period 2000-2022. For each country, specific revenue administrative measures are identified and analysed in the context of the possibility of implementing the same in Uganda.

The rest of the paper is structured as follows: the approach followed to achieve the study objectives is presented in section 2. The discussion of findings based on a detailed analysis of relevant countries' experiences along the tax continuum is presented in section 3. The section also discusses Uganda's experience and lessons that it can pick from the country's case studies to boost its domestic revenue mobilisation through compliance gains. Section 4 concludes and offers actionable proposals.

2 STUDY APPROACH

The government's ability to collect taxes depends highly on citizens' willingness to pay such taxes. Encouraging tax compliance depends on creating a predictable and consistent tax system, issuing technical interpretations promptly, helping taxpayers understand their obligations, ensuring that registration, filing, and payment are efficient, and promoting compliance and fairness through audit and collection enforcement (Figure 1). Generating a culture of compliance also requires a careful examination of motivations to pay taxes, how taxpayers experience and perceive taxation and the related costs and benefits of compliance. As Uganda continues to struggle with widespread evasion and avoidance,⁴ strategies to tackle weaknesses across the entire compliance continuum are a key focus of this paper. However, to harness compliance efforts, support through an enabling political economy, tax policy and structure of the economy is imperative.

While the compliance continuum is almost similar across countries, the management and level of success differ under different contexts. Nonetheless, Uganda could leverage experiences from other countries to enhance tax compliance. Thus, this paper employed a case study approach to generate an in-depth and multi-faceted understanding of the compliance continuum. Efforts were made to select countries comparable to Uganda's tax administration system. However, where this was not possible, an emerging and developed country was selected.⁵ Table 1 shows the countries selected per component of the compliance continuum with respective strategies. Under each strategy, selected country case studies are listed.

⁴ For instance, Lakuma and Sserunjogi (2018) estimate a VAT compliance tax gap leading to a loss of 4 percent of GDP due to tax avoidance and evasion.

⁵ In some case, comparable countries were found to performing poorly than Uganda.

Figure 1 The compliance continuum



Source: MoFPED (2019).

Table 1 Compliance continuum case studies

Compliance Continuum	Strategy	Case Study
1. Taxpayer registration	1. Information Technology (IT)	
	a) Segmentation of tax-payer registration using information technology	Panama, Brazil, Chile, Costa Rica, Ecuador, Peru, Cambodia, Mexico and Uruguay
	b) Non-Segmentation of Taxpayer registration	Tajikistan, Georgia, Burkina Faso, Tonga, Guinea-Bissau, and Uruguay
	c) IT for record cleansing	Georgia, Zimbabwe and Malawi
	2. Integration of the informal sector	Mozambique
	3. Segmentation for target setting	Cambodia, Malawi, Zimbabwe, Burkina Faso
	4. Information dissemination	Malawi
	5. Registration campaigns	Malawi
	6. Prohibitive penalties	Lesotho
	7. Comprehensibility vis-à-vis simplicity of registration	Lesotho, Rwanda
2. Taxpayer education and services	1. Taxpayer awareness on usage of taxpayer's money	Cambodia
	2. Segmentation of Taxpayers' education	Malawi, Benin, Burkina Faso, Cameroon
	3. Harnessing Technology for tax education	Malawi, Zimbabwe
3. Filing of declarations	1. Application of indirect taxes (VAT and Excise) on digitally marketed goods and services	Chile, Costa Rica, Ecuador, Argentina, Colombia, Uruguay and Mexico
	2. Keeping retail fuel prices intact	Chile, Costa Rica, Ecuador, Argentina, Colombia, Uruguay and Mexico
	3. Acknowledging High Net Worth Individuals	Rwanda
	4. Introducing VAT bank accounts for withholding agents	Italy, Poland, Romania and the United Kingdom
	5. Formalisation of the informal sector	Colombia, Mexico, India
	6. Increased Compliance monitoring	Peru, Uruguay, Guyana, Zimbabwe, Rwanda
	7. Cross-checking of output with other sources	Cambodia
4. Payment declarations	1. Pre-filled returns	Chile, Ecuador, Mexico and Peru
	2. Information on the capacity of the revenue authority	Armenia and Albania
	3. Segmentation	Cameroon and Senegal
	4. Provision of information and updates	Georgia
	5. Prohibitive Penalties and deadlines	Lesotho, Vietnam
5. Audit and enforcement	1. Investigation and enforcement	Eswatini, Rwanda
	2. Segmentation	Malawi
	3. Strengthening the auditing and enforcement capacity	Cambodia, Peru, Georgia and Guinea
	4. Processing of VAT refunds	Rwanda, Georgia
	5. Proof of identity and verification of compliance history	Cambodia
	6. Transparent audit process	Georgia, Rwanda
	7. Elimination of leakage of revenue within the tax system	Nepal, Georgia
6. Tax disputes	1. Digitalisation of the tax dispute process	Kenya, United Kingdom, Canada, Germany, Hong Kong, Singapore
	2. Publish the performance of the TAT operations	Germany

Compliance Continuum	Strategy	Case Study
	3. Institute mandatory full-time service of the TAT chairperson and committee members	Kenya
	4. Appointment of the TAT chairperson and members	Rwanda

Source: Author's Own Construction based on the compliance continuum.

3 FINDINGS AND DISCUSSIONS

This section discusses what has worked in other countries along the compliance continuum and actionable lessons learned for Uganda. Each component is discussed separately in the subsequent sub-sections.

3.1 Taxpayer Registration

The taxpayer register is the cornerstone of any tax administration. Any lack of accuracy, reliability and credibility in the taxpayer register will, in turn, lead to deficiencies in collection and enforcement, increasing administrative and compliance costs. Identifying and registering taxpayers is thus vital for undertaking compliance functions, such as detecting stop-filers and managing tax arrears. This sub-section compares the efforts made to develop, update and store a registry in Uganda with those of comparator countries.

While Uganda's tax register has been growing, few registrant file or pay taxes; the taxpayer register remains small relative

to the level of business and commerce undertaken in the Ugandan economy. Table 2 reveals gaps in the taxpayer register. In FY2019/20, URA had approximately 1.5 million registered taxpayers, of whom 1.4 million were individual taxpayers (URA, 2020) against nearly 12 million persons in both formal and informal employment. (UBoS, 2021). The rate of active fillers is declining or stagnant for all tax heads except for those of VAT and excise duty (Table 2). This trend coincides with value added tax (VAT) and Corporate Income Tax (CIT) collections being below revenue targets. For example, during the FY 2021/22, VAT worth UGX 3,296 billion was collected against a target of UGX 3,816 billion, representing a shortfall of UGX 520.2 billion (URA, 2022). In the same year, domestic excise duty worth UGX 1,646.7 billion was collected against a target of UGX 1,873 billion (ibid).

Relatedly, the growth of active taxpayers declined by more than one-half from 18.3 percent in 2015/16 to 7.2 in 2019/20, with a peak of 28.3 percent in FY 2017/18. COVID-19 partly explains the decline observed in 2019/20. Worth noting is

Table 2 Movements in taxpayer register in Uganda.

	FY2015/16		FY2016/17		FY2017/18		FY2018/19		FY2019/20	
Tax heads	Total	Active, %	Total	Active, %	Total	Active, %	Total	Active, %	Total	Active, %
All taxpayers	902,339		1,029,542		1,320,691		1,487,354		1,594,116	
VAT	16,230	67.6	18,061	69.5	16,499	89.3		89.0		87.8
CIT	70,765	40.7	79,814	40.8	86,114	40.8		-		-
PIT	111,873	80.0	172,107	63.5	249,560	64.6		-		-
PAYE	17,544	85.6	20,994	81.8	23,404	84.2		75.9		79.4
Domestic excises	258	100.0	265	97.4	246	100.0		-		-
Register growth ^a	139,339	18.3	127,203	14.1	291,149	28.3	166,663	12.6	106,762	7.2

Notes: this represents the year-to-year growth in the number of taxpayers.

Active refers to those individuals or firms that could file each year.

Dashe (-) represents missing information.

Source: TADAT and URA Annual Revenue Performance Report FY2019/2020 (2020).

the performance of the Tax Registration Expansion Program (TREP) initiative in FY 2019/20 in terms of increasing the newly registered taxpayers to 71,565, leading to UGX 4.42 billion in revenue collections (URA, 2021). Notwithstanding this positive outcome, there have been limited enforcement mechanisms for the presumptive tax-head, which is meant to address informality, owing to delays in the recruitment process of TREP Officers (EPRC, 2022).

The recruitment of additional staff would be imperative in expanding the tax register. One of the ways is the use of third-party data. However, the use of third-party data to identify potential taxpayers has been hampered by a lack of access to information and the slow pace of data digitisation. First, taxpayer registration is partially online, and e-Tax is not interoperable with relevant external systems. Second, regulation of certain sectors remains weak, for example, alcohol, which hampers registration and enforcement efforts. Many enterprises and individuals are producing and retailing alcohol, which is subject to excise tax, but do not appear on

the register. Third, there is no unique identifier for people to minimise duplication of identity.

In the subsequent sub-sections, a critical analysis of the strategies employed by tax administrations elsewhere to grow the tax register is undertaken. These include information technology, integration of the informal sector, segmentation, dissemination, campaigns, penalties and simplification of registration.

3.1.1 Information technology

Information technology (IT) is one strategy employed by countries to expand taxpayer registration. Specifically, the section discusses how segmentation, non-segmentation, and taxpayer record cleansing of IT have been pivotal in supporting the effectiveness of taxpayer registration in selected countries. Table 3 presents trends in taxpayer registers for selected countries, along with corresponding IT strategies.

Table 3 Trends in taxpayer register by IT strategy for selected countries

	Totals	Active, %	Totals	Active, %	Totals	Active, %
	2015		2016		2017	
Panel A: Peru (Segmentation)						
Total taxpayers	7,806,184		8,370,850		8,955,020	
VAT	998,695	93.2	1,025,474	93.0	1,072,259	93.2
CIT	627,609	99.0	632,176	98.9	648,725	93.9
PIT	5,808,797	99.6	6,331,951	99.6	6,836,030	99.8
PAYE	369,892	94.2	380,039	94.4	396,759	93.9
Domestic excises	1,191	94.0	1,210	94.1	1,247	94.2
Register growth			564,666	7.2	584,170	7
Panel B: Tajikistan (Non-segmentation)						
	2016		2017		2018	
Total taxpayers	1,271,892		1,294,886		1,313,821	
VAT	2,650	92.3	4,033	62.9	4,561	99.3
CIT	4,168	88.7	4,537	90.9	4,519	99.5
PIT	12,551	99.1	14,859	84.2	15,179	85.1
PAYE	3,001	95.4	4,384	65.8	4,912	99.3
Domestic excises	238	100.0	150	100.0	211	98.1
Other Taxpayer	1,249,284	97.6	1,266,923	97.6	1,284,439	98.0
Register growth			22,994	1.8	18,935	1.46
Panel C: Georgia: (Record cleansing)						

	Totals	Active, %	Totals	Active, %	Totals	Active, %
	2016		2017		2018	
Total taxpayers	2,727,639		2,894,653		3,366,182	
VAT	107,274	98.5	120,502	98.6	134,138	98.5
CIT	241,008	99.8	266,799	99.9	290,021	99.9
PIT	1,791,856	99.9	1,887,127	99.9	2,197,727	99.6
PAYE	586,754	99.7	619,383	99.9	743,853	99.9
Domestic excises	747	99.7	842	99.6	443	100.0

Notes: Active refers to those individuals or firms that filed returns.
Source: TADAT, 2022

Segmentation of tax-payer registration using information technology

To achieve accuracy, reliability and credibility, Latin American countries (Panama, Brazil and Chile) adopted e-invoicing: Initially, large companies were required to enrol voluntarily, but they later changed this to mandatory enrolment. Eventually, e-invoicing became mandatory for all businesses operating in these countries. Brazil further introduced sector-wise segmentation of e-invoices for selling goods, services, municipal taxes, and transport. In contrast, in other Latin American countries (Costa Rica, Ecuador, Peru, Cambodia, Mexico and Uruguay), the mandatory use of e-invoices was implemented for all registered taxpayers. Specifically, as a result of this administrative effort, Peru retained the taxpayer register, for all tax heads, at 90 percent (see Table 3 Panel A). Although, the growth in the tax register has been marginal, at 7 percent annually. Nevertheless, the absolute number of tax registrants exceeds the Latin America average of 80 percent.

Turning to Uganda, the e-tax system is segmented by tax head. There have been government efforts to improve compliance using the e-tax system. For example, the public sector segment registered a growth of UGX 106.5 billion, with Ministries, Departments and Agencies (MDAs) accounting for 28 percent (URA, 2017). Notwithstanding this progress, receipting Government payments outside e-Tax remains a challenge (ibid).

Non-segmentation of taxpayer registration

To close revenue leakages, Tajikistan, Georgia, Burkina Faso, Tonga, Guinea-Bissau, and Uruguay modernised their IT infrastructure and introduced a unified tax management system to increase tax collection efficiency as well as to reduce human contact that breeds corruption.

Tajikistan ensured that the electronic filing of tax returns (e-filing) was as high as 87.4 percent. To achieve this success, the Government of Tajikistan set up 200 electronic kiosks nationwide to enable taxpayers without computers to file electronically. As a result, the number of active firms and individual taxpayers filing taxes doubled. The time-saving in complying with tax-related regulations was equivalent to USD 8 million or 1 percent of the total collection. Indeed, Table 3 Panel B suggest that persistent e-filing sustained the Tajikistan tax register over the period under review. This happened even while the growth in the tax register remained marginal at less than 2 percent. For example, over 98 percent of the registered taxpayers for all taxes -were active in 2018, except for PIT taxpayers, which registered 85 percent of activity.

Taxpayer record cleansing

Meanwhile, Georgia developed an electronic file where they noted taxpayer details like address changes and contact details. Tax register cleansing was implemented in Georgia in 2015. Almost 500,000 duplicated, once-off or defunct registrations were identified and removed to make it more reliable, with a more precise estimate of the number of active taxpayers. Table 3 Panel C suggests that there are high filling rates in Georgia. Indeed, the Georgian tax register has more than 98 percent of active taxpayers in the tax register, regardless of the tax head.

Similarly, the Zimbabwe Revenue Authority expanded the tax base by integrating data from various stakeholders such as the Registrar of Companies and City Councils. Data matching and audit software were used to verify the accuracy of 'clients' biodata and declarations.

Guinea Bissau and Malawi re-registered dormant

taxpayers as a mechanism to remove dormant registrations by identifying and tracking inactive registered taxpayers to determine whether they have stopped operating or just stopped paying taxes. **Third-party information, such as withholding tax receipts, are used to establish whether taxpayers who do not file tax returns or make tax payment are still economically active.** These were re-registered and encouraged to file their returns. Sanctions were enforced for failure to do so.

Tax record cleansing is not new to Uganda. This has been done using the e-tax system to improve filing ratios and enforce on the non-filers.⁶ However, as shown in Table 2, the filing ratios for CIT and PIT remain relatively low (URA, 2020). This is mainly because non-filers on the register and some taxpayers requested filing extensions (ibid). In addition, the Public Sector Office (PSO) average filing ratios contributed to the average filing gap mostly because district accountants have inadequate skills to translate the complicated personnel payroll system report to a PAYE return. Also, internet connectivity is still a challenge to small and public sector office taxpayers, yet it is a prerequisite for registration (ibid).

3.1.2 Integration of the informal sector

The Tax Authority of Mozambique (ATM) has made substantial efforts to broaden the tax base by including informal sector operators. This has partly supported compliance by registering most eligible small and medium-scale enterprises within a particular business, sector or geographical area and gathering relevant tax information on the level of economic activities to fight tax evasion. This has brought non-filers and non-payers into the tax net through closer monitoring and collaboration with local government authorities. They have achieved the increased number of registered informal sector players by; (a) Simplification of the taxing procedures for small and micro enterprises, including mobile collection points; (b) Collaboration between the tax authority and informal sector/micro-enterprise associations (Fjeldstad and Heggstad, 2011).

Through the TREP initiative, the Government of Uganda supports the informal business's formalisation. Specifically, TREP, in collaboration with the local government system,

has expanded the tax-payer register, albeit with low revenue effects (URA, 2022). The emergence of COVID-19 exacerbated informality by expanding the challenges informal firms face (EPRC, 2022).

3.1.3 Segmentation for target setting.

Setting annual VAT targets (both revenue and new taxpayers) for each unit (Large Taxpayer and small taxpayer departments) in the tax authority. Such targets were employed in Cambodia to ensure that the heads of the tax units are focused solely on delivering compliance improvement activities for their respective units, including the development of industry-based teams. Table 4 suggests that there was revenue improvement by 4 percentage point of GDP that could be partially attributed to such reforms. It should be noted that the changes in *Revenue Administration (RA)* could have been coupled up with other *Economic Changes* to achieve this performance (ref Table 4 Columns 12 and 13).

Uganda also has a VAT target for both revenue and new taxpayers for each unit (Large Taxpayer and small taxpayer departments) in the tax authority. The active VAT tax-payers are well above 80 percent (Table 2). However, as mentioned earlier, the revenue generated from VAT is well below the target. In the preceding year of 2019/20, VAT collections were below the target by UGX 708.2 billion (URA, 2020). Nevertheless, VAT collection has been dramatically affected by the COVID-19 lockdown.

⁶ Other strategies are advisory and compliance visits to taxpayers and monthly reminders on timely filing.

Table 4 Summary of the identified episodes of tax administrative efforts in low-income countries

1. Country	2. Period	3. Revenue in T-1 (% of GDP)	4. Revenue Increase	5. PIT	6. CIT	7. General GST	8. VAT	9. Excise	10. Trade Taxes	11. Property	12. RA	13. Economic changes
Afghanistan	2009-2010	5.6	3.3									
Burkina Faso	2009-2013	11.8	4.4									
Burundi	2009-2011	12.0	2.2									
Cabo Verde	2004-2007	17.8	3.4									
Cambodia	2012-2015	10.3	4.0									
Malawi	2012-2014	14.5	2.4									
Nepal	2007-2010	8.9	4.0									
Nicaragua	2002-2006	10.7	5.1									
Rwanda	2010-2014	12.1	3.0									
Senegal	2010-2015	18.0	1.8									
Uganda	2013-2015	10.5	2.5									

Notes: Table A1 (in the appendix) shows a country (in column 1), the period a tax administration reform was undertaken (in column 2), the GDP before and after the tax administration change (in columns 3 and 4, respectively), the various tax-heads (in column 5-11), and whether the impacts were due to administrative changes (in column 12) and, lastly, an indication whether there were other supportive economic changes (in column 13).

CIT = Corporate Income Tax

GST = Goods and Service Tax

PIT = Personal Income Tax

Source: IMF (2018).

Increasing the VAT tax base through stratification/categorisation of the VAT thresholds. Countries such as Malawi have registered every supplier with the tax authorities in two categories: the first is the standard scheme regime, which applies to businesses with turnover exceeding USD 13,516. The second is the turnover scheme, which is supplies made by businesses with annual turnover below USD 13,516. The revenue authority classifies taxpayers, especially in the standard scheme, into small, medium or large. Special departments were assigned to manage each category, for example, LTU (Ligomeka, 2019). Table 4 suggests that such reforms contributed to a 2.4 percentage point increase in revenue (see column 4). In this case, Uganda could adopt the stratification strategy instead of the standard annual threshold of Ugx 150 million (about USD 40,000), which leaves out some potential taxpayers.

In 2015, tax authorities of Burkina Faso also implemented taxpayer segmentation to improve VAT compliance by combating revenue loss in the small-enterprise segment (Fossat, 2019). Worth noting are the recent revenue collection strategies implemented, with the adoption of urgent quick-win measures (some of which could be adopted by URA), including: First, strengthened tax management with regular updating of the taxpayer database and close monitoring of the main taxes (VAT, corporate tax, etc.). Second, the tax compliance spot-check database is improved by inputting all VAT returns and centralising and analysing the main customer lists. Table 4 suggests that such reforms partially explain the increase in revenue by 4 percentage points due to reforms implemented in Burkina-Faso's CIT, GST, VAT, excise and property tax heads.

However, it is worth noting that VAT taxpayer segmentation may increase administrative costs and the number of VAT refund claimants. As such, there is a need for URA to establish whether the cost of refunds would offset the advantages of segmenting.

For Uganda, data from local government officials, business associations, Uganda Registration Services Bureau and other relevant entities should be integrated to develop an up-to-date tax register. Individual national identification numbers issued by NIRA should ease the data-matching process to avoid duplicates in the tax register.

3.1.4 Information dissemination to reduce risk in specific sectors

For Sub-Saharan African countries, for instance, in Malawi, the MRA disseminates tax information to the public in several ways to counter the weak regulation of specific sectors. In such countries, sectors such as alcohol and real estate hamper registration and enforcement efforts. Information dissemination includes brochures, press releases, magazine articles, radio and television slots, and content on the MRA website. In addition, the MRA conducts seminars, workshops for taxpayers, and school awareness programmes. In 2018, walk-in enquiries and phone services (including WhatsApp) were introduced to address taxpayer questions. Furthermore, every year, the MRA publishes a list of tax policy changes made by Parliament on its website. Uganda could adopt modern technology, such as social media, to disseminate information to the taxpayer to reduce risk in some sectors.

3.1.5 Registration campaigns

In 2010, the Malawi Revenue Authority embarked on a project to register as many taxpayers as possible under the turnover tax regime (see section 3.3). Several temporary officers were hired to identify and register potential taxpayers. To a great extent, this resolved issues of duplication and “ghost” taxpayers who had registered multiple times under different names. The automation of the property and business registries is underway. Efforts are also being made to have formal street names or plot numbers to ease the tracing of potential registrants.

3.1.6 Prohibitive Penalties.

Elsewhere, strict laws have been enacted by Lesotho Revenue Authority (LRA) to improve operational efficiency. A person who knowingly uses a false TIN commits a criminal offence that is punishable by fine, imprisonment, or both. This has reduced cases of tax fraud in the system. For example, if failure to register were influenced by an honest but mistaken interpretation of the law, a tax-payer would be offered 100 percent relief from the penalty (100% of the value of goods in dispute) Lesotho Government Gazette (2014). However, if failing to register were due to a taxpayer deliberate attempts to evade tax, then zero percent relief from penalty would be offered (ibid). An amount of 50 percent relief would be offered if they made the discovery of evasion after a voluntary visit by the tax-payer. Meanwhile, only 25 percent would be offered if LRA discovered the evasion. We should

note that Uganda has a stricter penalty for non-registrant (twice the value of the amount in dispute). However, this is rarely enforced, especially for defaulters in the SME segment.

3.1.7 Comprehensibility vis-à-vis simplicity of registration

The Lesotho Revenue Authority (LRA) taxpayer register is comprehensive enough to capture all the necessary details. The LRA captures personal details such as full names, addresses and details of income earned; these details are provided through a registration form available in all the LRA Service Centres. This allows the LRA to tax the person appropriately, enabling the clients to meet the requirements of other bodies that may provide services or benefits there.

Evidence from Rwanda shows that Rwanda Registration Board has made the registration process straightforward for taxpayers. Any person who sets up a business or other activities that may be taxable must register with the Tax Administration within seven (7) days from the beginning of the business activity. In addition, online services are free of charge and very efficient hence enabling taxpayers to develop confidence in the system.

Furthermore, Burkina Faso and Guinea Bissau have adopted electronic registration, filing, payment procedures, and online provision of taxpayer information in most tax administration reform strategies beginning with large and medium-sized enterprises to remedy inaccuracies in taxpayer information (Fossat and Bua, 2013).

While they have made most of these provisions for Uganda, there are still some challenges, as identified by MoFPED (2019):

- a) uncertainty about the accuracy of the registration database and the number of active taxpayers,
- b) initiatives to detect businesses and individuals who fail to register are weak (ibid),
- c) the registration process is a compliance burden even for sophisticated taxpayers,
- d) there is a low level of operational certainty as to the number of active taxpayers, the system contains many duplicates,
- e) relaxing the rules for an e-Tax system when employees do not have TINs leads to difficulties in identifying individuals with more than one employer,

- and
- f) limited links to other databases.

3.2 Taxpayer Education and Services

Facilitating full compliance requires improving both the efficiency and quality of taxpayer services. Recognizing the link between better tax services and tax compliance, many revenue administrations have developed taxpayer service strategies centred on:

- a) Reducing taxpayer uncertainty by clarifying legal and procedural ambiguities;
- b) Limiting the frequency with which the tax system is changed;
- c) Tailoring taxpayer services and information based on the characteristics of different taxpayer segments and underlying factors motivating non-compliance; and
- d) Setting service delivery standards and measuring performance against these standards, such as the average time to process taxpayer refunds or resolve disputes.

While URA has a programme to promote access to information through a range of user-friendly channels, the use and frequency of methods to obtain performance feedback from taxpayers on the standard of services provided are weak (Okello, 2019). URA could benefit from periodic independent taxpayer satisfaction and perception surveys to measure performance and perception over time, and they should incorporate survey results into future strategic plans. Furthermore, URA's taxpayer awareness and education campaigns are not embedded into a comprehensive programme and reflect an isolated approach unconnected to a compliance improvement strategy. There is a need to develop and implement a full taxpayer education and service strategy to promote transparency, information-sharing, partnership with stakeholders, and facilitating taxpayers through improved service provision. Finally, there is limited integration of feedback from taxpayer perception surveys into URA's strategic planning and policies (World Bank, 2018).

3.2.1 Taxpayer awareness on usage of taxpayer's money

The URA has conducted several taxpayer engagements using various media of communication. However, there is a need to use the same platforms to build taxpayers' trust in the

government. Countries such as Cambodia have shifted from the usual taxpayer education campaign to avenues through which locals are made to understand that the government is spending tax revenues transparently, efficiently and legitimately (Youde and Lim, 2019). This partly explains the overall increase in Cambodia's tax-to-GDP ratio from 14.6 percent in 2015 to 19.7 percent in 2019⁷ compared to Uganda's 10.8 percent to 12.2 percent⁸, respectively.

3.2.2 Segmentation of taxpayers' education

Tax administrators in Malawi have paid particular attention to the large taxpayers to ensure that they have all the information related to taxation. The Large Taxpayer Unit (LTU) assigns a desk officer to each large taxpayer. The assigned officer is a source of information on all matters relating to tax and ensures that they understand the taxpayers' business well, including how the business is performing.

In contrast, Fossat and Bua (2013) suggest that Benin, Burkina Faso, and Cameroon, among others, have simplified the tax obligations of businesses whose incomes are often below the poverty line as a critical measure essential for expanding the tax base and helping small business owners and micro-entrepreneurs to "formalise" their activities to facilitate their development. In principle, the tax offices in charge of small businesses and micro-enterprises should focus on educating those taxpayers to simplify their tax obligations and facilitate their integration and retention in the formal economy.

While Uganda has a TREP programme, the project focuses on educating and registering small businesses and not individuals who operate in the informal sector (EPRC, 2022). Education and registering taxpayers should be extended beyond the current TREP effort to broaden the tax base further and reduce the informal sector's size. Everyone eligible for a national identity card should also be allocated a TIN for current and future tax declarations (ibid).

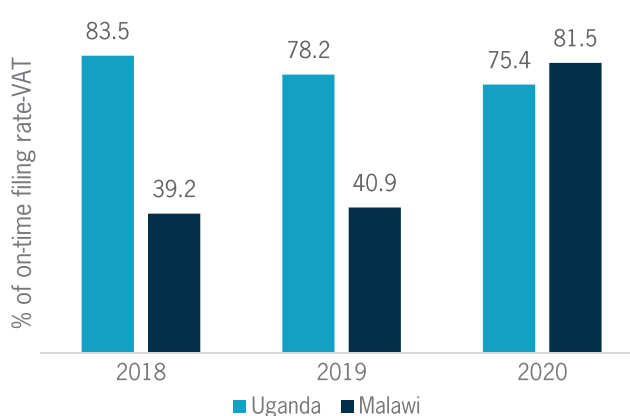
3.2.3 Harnessing technology for tax education

In Zimbabwe, taxpayer education and awareness programmes were conducted through virtual workshops to ensure voluntary compliance and awareness during the pandemic. In addition, public notices were posted on an

online Tax and Customs education portal. Information was effectively conveyed using electronic, print, online platforms, television, and social media shows. The Authority continues to frequent its presence on social media to increase the coverage and reach of registered and potential taxpayers.

In addition, every year, the MRA publishes a list of tax policy changes made by Parliament on its website. The taxpayer education services are expansive and cover different taxes. This remedies the issue of tax education not being part of the school curriculum and limited taxpayer facilitation through an e-filing portal. This explains the success registered in the percentage of timely filing rates in Malawi in 2020, especially for VAT, as shown in Figure 2.

Figure 2 On-time filing rates for VAT: A comparison of Uganda and Malawi



Source: OECD (<https://data.rafit.org/regular.aspx?key=63544700>)

3.2.4 Training courses for new taxpayers

Evidence from Rwanda indicates that RRA organises annual half-day taxpayer training courses for all newly registered businesses. The aim is to substantially improve taxpayers' knowledge of the tax system and reduce their perceptions about the system's complexity. In assessing the impact of the tax education program, RRA realises that attending the training session increases the probability of businesses' ability to file tax declarations by 30 percent. This is particularly significant in the context of very low declaration (around 46 percent) amongst new taxpayers in Rwanda. Importantly, whether new taxpayers file at first affects their future compliance. Those who fail to file in the first year are

⁷ <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=KH>

⁸ <https://data.worldbank.org/indicator/GC.TAX.TOTL.GD.ZS?locations=UG>

unlikely to ever file in subsequent years.

On the other hand, LRA has employed several initiatives to enhance compliance. For instance, teaching tax through in-depth, often long-term engagement with all audiences, whether young people, adults or entrepreneurs, to present the effects of compliance and non-compliance to the tax system.

Simple, clear and elaborate tax messages to the audience. LRA has emphasised communications of tax messages through social media campaigns, tax fairs and TV shows to the taxpaying audience to enhance compliance in the system.

Strengthened online services. To eliminate information asymmetry, LRA has supported tax compliance by providing practical and direct assistance to taxpayers to use modern e-administration tools and to support taxpayers, especially vulnerable taxpayers, in their tax obligations, including reporting requirements to enhance compliance among the taxpaying public.

3.3 Filing of declarations

Timely and accurate filing: The tax system relies heavily on timely, accurate, and complete taxpayer reporting in their tax declarations. Tax administrations should undertake various actions to mitigate fraud and revenue losses to ensure compliance. This includes verification activities (such as tax audits, investigations, and matching against third-party data) and proactive initiatives promoting cooperative compliance. Despite some interventions by URA, such as establishing a dedicated High Net Worth Individual Unit, non-compliance with filing obligations by Very Important Persons/prominent citizens, leading professionals, and highly profitable businesses remain high (Table 5).

Limited focus on enforcing the filing of tax returns and the large number of estimated assessments generated has contributed to the increase in disputes and uncollectible tax arrears (Okello, 2019). While they have made electronic filing mandatory for all taxpayers, on-time return filing ratios remain low (Table 5), although the full extent cannot be determined due to data limitations. Low filing rates are prevalent across CIT and PIT, although PAYE displays a slightly better performance and registered marginal improvements since FY2013/14. Uganda has not fully

Table 5 Performance of filing tax declarations in Uganda

Tax	Period	Number of declarations		
		Filed on time	Expected to be filed	% filed on time
CIT	2018	22,687	72,995	31.1
	2019	49,253	163,158	30.2
	2020	28,636	87,714	32.6
Large taxpayers-CIT	2017/18	598	692	86.4
PIT	2018	24,420	168,024	14.5
	2019	44,221	659,501	6.7
	2020	12,246	417,425	2.9
VAT	2018	171,147	204,981	83.5
	2019	168,293	215,203	78.2
	2020	151,473	200,952	75.3
Large taxpayers-VAT	2017/18	7,049	7,273	96.9
PAYE	2018	171,326	284,105	60.3
	2019	194,825	297,229	65.5
	2020	202,038	325,741	62.0

Source: ISORA survey, 2022, accessed at <https://www.oecd.org/tax/forum-on-tax-administration/database/>

leveraged technology to increase the filing of tax declarations. Specifically, the country has not yet fully utilised interfaces (IFMS, BoU, URSB, NIIRA) and third-party intelligence to establish taxpayer compliance gaps (URA, 2022). In addition, e-TAX functionalities, namely simplified returns, pre-filing and online registration, are yet to be fully enhanced. Indeed, during the FY 2021/22, e-TAX functionalities were partly funded with a gap of UGX 10 billion. As such, the country requires a deliberate effort to design a mechanism to improve filing ratios specifically for PAYE in the small and public tax offices. Nevertheless, client relationship managers monitoring filing at the Large Taxpayers Office have had a substantial effect, with CIT filing rates up to 86 percent and VAT up to 97 percent for taxpayers in these categories (Table 6).

Considering improving on-time filing of declarations in a post-COVID-19 recovery period, Uganda could emulate measures undertaken by some Latin American and

Caribbean countries. For instance, to achieve high filing rates for all its core taxes, Peru's revenue agency (Table 6), the SUNAT, intensified monitoring of filing performance, improved accuracy in the tax register, and provided a broad range of supportive programmes to assist taxpayers in filing electronically (Rojas *et al.*, 2017). The persistent efforts by the SUNAT since 2000 to encourage electronic filing are now mandatory and successful (*ibid*). In this regard, the mechanisms for filing declarations are the same for all taxpayers.

Table 6 Performance of filing of tax declarations in Peru

Tax	Number of declarations			
	Period	Filed on time	Expected filing	% filed on-time
CIT	2018	623,404	741,194	84.1
	2019	652,963	753,153	86.7
	2020	707,148	806,730	87.7
Large taxpayers-CIT	2015	12,115	12,250	98.9
PIT	2018	392,455	568,766	69.0
	2019	467,589	591,818	79.0
	2020	407,772	580,311	70.3
VAT	2018	9,875,600	11,323,819	87.2
	2019	10,404,054	11,839,980	87.9
	2020	10,954,214	12,103,752	90.5
Large taxpayers-VAT	2016	165,829	166,956	99.3
PAYE	2018	901,410	918,003	98.2
	2019	936,984	963,610	97.2
	2020	812,378	842,731	96.4

Source: ISORA survey, 2022, accessed at <https://www.oecd.org/tax/forum-on-tax-administration/database/>

Below are other measures that countries have undertaken to ensure revenue growth in the post-COVID-19 while ensuring more efficient and equitable taxation within their jurisdictions.

3.3.1 Application of indirect taxes on digitally marketed goods and services⁹

In Latin American countries and the Caribbean, increasing compliance amidst a COVID-19 environment came with the urgent imposition of indirect taxes on goods and services traded online by revenue authorities. The COVID-19 pandemic resulted in the growth of consumption from digital platforms, which Uganda is yet to effectively tax. Uganda could adopt some interventions undertaken by Latin American countries such as Chile, Costa Rica, Ecuador, Argentina, Colombia, Uruguay and Mexico to tax the digital economy. Among Latin American countries that instituted VAT on the digital economy, Chile collected the highest revenue in a short period. Indeed, within the first seven months (June-Dec 2020), the country collected approximately USD 119 million VAT revenue, equivalent to 0.04 percent of GDP. Nevertheless, some revenue outcomes may be because of actions taken before COVID-19. Indeed, the evidence presented in Table 7 reveals that in 2019, when the digital economy was taxed for a full year, Argentina and Colombia collected revenue close to USD 80 million, equivalent to 0.02 percent of their GDP.

Table 7 VAT collection on digital service in selected Latin American countries

Country	Period	Revenue (USD Millions)	Revenue % GDP
Argentina	2018	53.0	0.01
	2019	79.0	0.02
Chile	June-Dec 2020	119.4	0.04
Colombia	July-Dec 2018	12.2	0.004
	2019	77.0	0.02
Costa Rica	October 2020	1.7	0.003
Ecuador	Sep-Oct 2020	2.4	0.003
Uruguay	2018	2.7	0.004
	2019	18.4	0.03

Source: Jiménez and Podestá (2021).

Nevertheless, the reduced under-reporting in Chile could also be related to the engendering of transactions that came with business-to-consumer transactions. From 2010 to 2012, Chile ensured that about 47 percent of all taxpayers with business premises that issue invoices/receipts are registered with the tax body and have a sound accounting

9 <https://www.ciat.org/tax-measures-in-the-post-covid-19-crisis/?lang=en>

system (IMF, 2015). Besides having the power to close business premises due to non-compliance, the Chilean revenue authority put dedicated teams in every regional tax office, and the workload was based on the risk.

3.3.2 Keeping retail fuel prices intact

Some Latin American countries focused on first maximising the tax head's revenue potential for excise taxes, given the persistent pre-existing wide margin. In addition, since excise taxes correct negative externalities, most countries replaced *ad valorem* rates with specific unit rates. This way, the difference would be a favour to the state. For example, the excise duty on fuel was kept unchanged after the sharp fall in the price of oil during the height of the COVID-19 pandemic.

3.3.3 Acknowledging high net worth individuals

In Rwanda, the evidence recommended sending a notification (formal letters) to high-net-worth individuals informing them of the Authority's awareness of their business operations and wealth and encouraging them to file their returns with the Rwanda Revenue Authority (Kangave and Byrne, 2020). In this randomised control experiment, three types of messages were sent, namely, a deterrence message (detailing the penalties for non-compliance), a benefits message (showing how taxes are used to fund public services), and a reminder (which informed taxpayers of the deadlines for paying taxes). The evidence revealed that the deterrence message greatly impacted small-scale taxpayers. Among the larger taxpayers the reminder and benefits message were more effective than the deterrence message. As such, a careful communication strategy might determine Uganda's success in improving tax compliance post-COVID-19. This would be combined with mass sensitisation for taxpayers.

3.3.4 Introducing VAT bank accounts for withholding agents

Besides investment in digitalisation, countries have used legislation to close revenue gaps. Several European Union (EU) member states, namely Italy, Poland, Romania and the United Kingdom, introduced the split payment mechanism¹⁰ to reduce indirect tax fraud (Deloitte, 2017). The design of the scenarios (policy options) for the split payment encompasses different transactions (i.e., Business-to-Business (B2B), Business-to-Consumer (B2C) and Business-to-Government (B2G), as well as different methods of payment (e.g., electronic transfers, transactions paid with payment cards, and in cash) (*ibid*). It also includes a sub-option of split payment with blocked VAT bank accounts. In this system, buyers pay a supplier's dedicated VAT bank account. This way, a supplier would have limited access to the money in this account - ensuring that VAT-related liabilities are paid.

Indeed, a cost-benefit analysis for EU member states revealed that the different split payment policy options reduced the VAT gap from 27 to 56 percent under the countries' current VAT regimes (*ibid*). The reduction is partly premised on a considerable reduction in non-compliance due to new reporting requirements and increased transparency. Indeed, the evidence presented in Table 8 reveals that applying B2B, B2C and B2G transactions via Electronic Fund Transfer (EFT) credit card and cash, policy option 4 was the most effective option for reducing the VAT Gap overall.

Particularly because of this innovation, Poland was able to half its VAT gap from 24 percent in 2015 to 12 percent in 2018. However, a wider application of split payment is

¹⁰ Split payment is regarded as a measure that can combat VAT fraud and non-compliance by removing the opportunity of suppliers to charge VAT and disappear without declaring or paying it to the tax authority ('missing trader fraud')

Table 8 Reduction in VAT fraud by different split payment policies for EU member countries

VAT Gap	Option 1 ^a	Option 1(b) ^b	Option 2 ^c	Option 3 ^d	Option 4 ^e
Percentage reduction (%)	27-42	27-42	27-42	38-49	42-56
Amount (Billion Euros)	40.7-63.2	40.7-63.2	39.2-61	54.7-70	61- 80.7

Notes: ^a Current VAT regime with split payment applying to electronic fund transfers (EFT) between taxable persons (B2B)

^b Option 1 with blocked VAT bank account

^c Option 1 combined with a generalised reverse charge mechanism in certain Member States

^d Option 2 with an extension of split payment on EFT between taxable persons and final consumers (B2C) and taxable persons and public bodies (B2G)

^e Option 3 with an extension of split payment to credit card and cash payments

Source: Adopted from Deloitte (2017).

accompanied by higher costs for businesses and public bodies, which increase substantially throughout the options. In addition, any split payment mechanism considered should align with the existing VAT regime and wider legislative context.

3.3.5 Formalisation of the informal sector

Strategic formalisation of a large informal sector could provide a positive compliance shock. Pomeranz (2014) reported that strategic formalisation in Colombia led to important spill-over effects for the whole supply chain. In this regard, following the evidence that VAT evasion was about 25 percent in Colombia in 2013, the country set out to achieve a policy target of mass uptake of e-receipt, as a firm formalisation tool, by strengthening the capacities of the tax and customs administration, to control and manage the risk of evasion, avoidance and smuggling of taxes (Mauricio, 2022). The key operational objective was to reduce and optimise all firms' time and costs associated with invoicing. As such, starting in January 2019, Colombia made e-receipting mandatory for all firms. As a result of this policy action, by June 2021, 621 firms (47 percent of all formal firms) were issuing e-receipts.

Like Uganda, serious implementation of e-receipt in Colombia was sped up after the emergency of the COVID-19 pandemic. As such, the policy is relatively new and ongoing; hence its impact on tax collection is not yet established. However, evidence from other Latin American countries reveals that e-receipts increase VAT collection. For instance, in Ecuador, VAT collection was between 18 and 24 percent higher in firms that issued e-receipt compared to those that did not issue e-receipt between 2015 and 2016. In Mexico, this comparison was 2.2 percent, 3.2 percent and 7.1 percent higher in 2011, 2012 and 2013, respectively (ibid). Similar findings were reported for the Indian state of West Bengal (Gadenne *et al.*, 2019). The positive effect of formalisation emanates from the fact that formal firms prefer to operate with similar firms.

3.3.6 Increased compliance monitoring

The tax authority in Zimbabwe (ZIMRA) and Georgia introduced convenient means to file declarations, such as an e-filing platform, which was further complimented by a Centralised Return Processing function and simplified declaration forms to lodge returns (Tasiyana, 2020).

Peru, Uruguay, and Guyana provided adequate monitoring of the compliance of obligations concerning the accuracy, filing and record-keeping obligations, as well as the application of sanctions (Jones, 2021). From the African context, evidence from Rwanda reveals that Rwanda Development Board has enforced strict declaration in the law for immediate payment to be declared. In addition, the law demands that taxpayers file tax returns such as CIT and income tax, and strict follow-up actions are taken against perpetrators to avert non-compliance behaviour.

URA should intensify continuous compliance monitoring to ensure the timely submission of returns, especially for large taxpayers. They should complement this with easing the process of filing returns.

3.3.7 Cross-checking of output with other sources

High-volume automated crosschecking of amounts reported in tax declarations with the third party have also been implemented to screen large numbers of taxpayer record to detect discrepancies and encourage correct reporting.

The tax authority of Cambodia linked filing obligations to the taxpayer register. This was meant to enable the VAT department to effectively manage filing based on expectations and implement risk-based follow-up priorities, including the need for specific actions for non-filers.

3.4 Payment of declarations

Taxpayers are expected to pay by the due dates delineated in the tax laws and regulations. Non-payment and late payment of taxes have a detrimental effect on government budgets and cash management. The collection of tax arrears is costly and time-consuming. Achieving a low incidence of tax arrears depends on a high level of on-time filing to establish amounts owed and quick follow-up when payment is due. As evidenced below, there is a high stock of arrears, which have more than doubled over the past three years and severely constrain tax performance. Besides the significant rise in the stock of arrears, most of this is old debt. Tax arrears older than 12 months have grown from 23.6 percent in 2016 to 78.2 percent in 2018. Although URA has a debt management unit, the debt recovery and debt write-off procedures have not effectively reduced the amount of tax arrears older than 12 months.

3.4.1 Pre-filled returns

Latin American countries recently introduced pre-filled returns to overcome inaccurate reporting within returns and thus prevent fraudulent behaviour. Leveraging ICT and e-invoicing, revenue authorities in Chile, Ecuador, Mexico and Peru provide a form pre-populated with recorded or assumed items based on information obtained from taxpayers via various channels. For Chile, introducing pre-filled VAT tax returns in 2016 registered an improvement in key indicators. For instance, after four months of operation (August through November), over 1.2 million returns were filed on average, with 61.1 percent using the pre-filled proposal. The total VAT amounted to USD 1.1 trillion, with over 84 percent declared through the pre-filled proposal (CIAT, 2018). Available data shows that this performance was sustained over time, i.e., the percentage of returns filed on time increased. The biggest percentage of these returns were fully pre-filled and electronically submitted (Table 9). The value of payments made on time equally increased over the years.

Table 9 VAT performance for Chile

	2018	2019
On-time filing rate	76.3	77.2
Percentage pre-filled	60.9	65.4
On-time payment (value in thousands in local currency)	10,152,127,139	11,154,889,150

Source: RA-FIT.

In Uganda, self-declaration is still being used for filing tax returns for the different tax heads and could be one of the reasons for the low levels of on-time filing and payment of taxes. URA could therefore adopt pre-filled, partially or fully, tax returns to reduce errors and the cumbersome process for the taxpayer. Additionally, with the adoption of EFRIS, URA is slowly gathering information on different entities and can slowly transition to pre-filled VAT returns. Using pre-filled tax returns will require large volumes of accurate data, which can be accessed through third parties like financial institutions, utility companies, and the URSB following certain legislative amendments that can allow access to such information. In the meantime, URA should pay critical attention to the provisional tax returns system in place and use it as a basis for estimating expected taxes at the end of the year.

3.4.2 Information on the capacity of the revenue authority

According to Karver *et al.* (2021), Armenia and Albania incorporated behavioural insights into traditional strategies to encourage voluntary compliance during the COVID-19 pandemic. To achieve this, identified improvements to existing notifications of taxpayers across tax heads were undertaken. This involved simplifying technical language, highlighting the revenue authority's enforcement capacity, and showing how taxes finance public goods. Albania tax authorities employed different techniques, like targeted notifications to taxpayers (employers) suspected of under-reporting payroll declarations and language (threat of punishment versus improving tax morale). Evidence shows sustained improvements in payroll declarations from using soft-tone letters instead of hard-tone ones. Whereas soft-tone letters worked for Albania, experimental evidence shows that messages that emphasised enforcement/punishment worked better at inducing individuals in Uganda to pay taxes (Cohen, 2020). URA could adopt and strengthen this strategy, using nudges and behavioural insights to induce tax compliance, especially for a targeted section of taxpayers, such as the large taxpayer segment.

3.4.3 Segmentation

Like some countries, Uganda implemented a large taxpayer unit (LTU) (Cabo Verde, Uruguay). These further strengthened the management of large taxpayers to ensure timely filing and payment of taxes. Large taxpayers can account for as much as 80 percent of all tax revenue. Therefore, strengthening procedures targeted at them is a critical reform step.

Introduction of segmentation and restructuring of the operational offices. Following the merger of the departments (the case of Cameroon and Senegal) that were responsible for different taxes and transferring the tax collection function to the tax administration, the adoption of segmentation has been the most important reform regarding the structure of the tax office network in the past 15 years. The concept of segmentation led to a review of the traditional organisation of the local offices based on geographic principles, with a fragmented network of offices aimed at ensuring the provision of services to taxpayers. In the present circumstances of many countries, these common-sense principles are still seen as well suited to the needs of small taxpayers, particularly in remote areas and for the administration of

local taxes in most Francophone countries. Nevertheless, the adoption of segmentation has resulted in more modern approaches by a move to an organisational structure based on the following principles:

- Creation of specialised structures for administering the large enterprises (in principle, a single, central large taxpayer office).
- Establishment of a limited number of offices for medium-sized enterprises, considering the geographic distribution of those businesses (in principle, one or more offices in the capital city and other major cities).
- Maintenance of local offices that are essentially devoted to basic services for small taxpayers (registration and information, filing of returns and payment) in the larger cities where a medium taxpayer office has been set up, as well as in remote areas. Such approaches, if adopted by Uganda, could enhance tax compliance.

Segmentation is also useful in dealing with VAT refunds. One proven approach to the administration of VAT refunds is to establish a “gold-silver” scheme, in which refund claimants are grouped into “gold,” “silver,” and “others” categories using a simple and transparent criterion of grouping. The criteria could be based on, for example, the claimant’s history of exports, bookkeeping, tax compliance, and audit of records by tax officials. Those classified in “gold” or “silver” categories are granted such privileges as fast and

without pre-approval audit refunds. The scheme helps tax administrations to focus on checking and auditing high-risk refund claimants.

3.4.4 Provision of information and updates

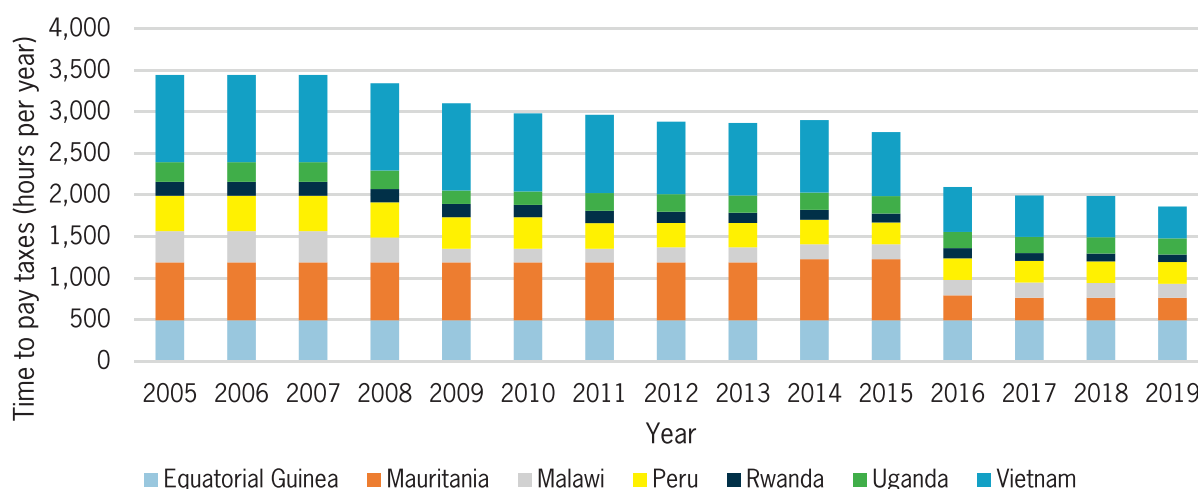
Georgia also ensured timely filing by providing both registered and potential taxpayers with specific payment requirements, including deadlines (due dates) for payment, which is required to pay and the available payment methods. Failure by a taxpayer to pay on time results in the imposition of interest and penalties and, for some taxpayers, legal debt recovery action. High-volume automated crosschecking of amounts reported in tax declarations with a third party has also been implemented to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

3.4.5 Prohibitive penalties and deadlines

As earlier mentioned, the Lesotho Revenue Authority (LRA) has implemented strict measures to ensure registration. These strict penalties are extended to payments. For example, interest is imposed for late payment of tax, and fines and other penalties are imposed for late payment and tax understatements to elicit taxpaying behaviour.

According to KPMG (2020), Vietnamese Authorities have laid out a number of strategies to enforce the timely payment of taxes. For example, the tax authorities require enterprises to

Figure 3 Time to prepare, file and pay taxes (hours per year)



make quarterly provisional CIT payments (no later than the 30th day of the next quarter) based on the quarterly business results. Suppose the total amount of provisional quarterly CIT paid in the first three quarters of a tax year accounts for less than 75 percent of the final CIT liability. In that case, any shortfall will be subject to late payment interest, counting from the deadline for payment of the quarter three provisional CIT liability. Secondly, the Vietnamese tax authorities have imposed much tougher penalties stance. For example, where tax is paid late (e.g., as a result of a tax audit investigation), there is a significant likelihood of penalties being imposed in order to promote compliance.

3.5. Investigation and enforcement

Where voluntary compliance initiatives fail, the tax administration relies on effective enforcement strategies to deter, detect, and address non-compliance. With a low tax effort and high evasion, URA needs a smart approach to audit assessments and enforcement, premised on identifying the most significant risks. Audits are carried out to examine whether taxpayers have correctly assessed and reported their tax liability. If well-designed and managed, tax audits can have a far wider impact than raising additional revenues by identifying discrepancies. Detecting and penalising serious offenders reminds all taxpayers of the consequences of inaccurate reporting and avoidance. As an indication of URA's challenges, Table 10 shows the recent domestic tax audit performance for Malawi. While URA has primarily achieved the target number of audits per annum, this target has declined over the past three financial years, partly due to insufficient resources. Furthermore, the audit yield (the amount collected against the amount assessed) has declined dramatically.

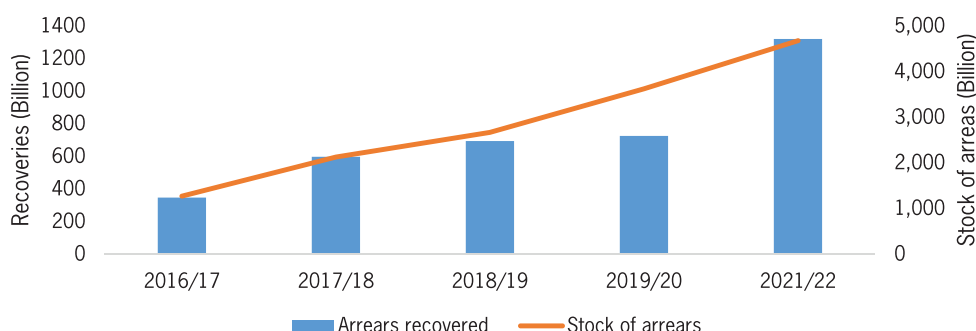
Key limitations, including the lack of access to third-party data, have limited URA's knowledge of the extent of business in the economy. Tax return information cannot be cross-checked effectively against taxpayer financial information or other governmental payment data. Furthermore, URA does not fully exploit technological solutions that detect inaccurate reporting, such as electronic receipts and digital tax stamps. These interventions have yielded positive results in other jurisdictions. For instance, in Ethiopia, the research found that after adopting electronic sales registry machines (ESRMs), the average amount of VAT paid by firms increased substantially. This effect is driven by firms that were more likely to evade taxes before introducing the ESRMs. The evidence suggests that ESRM adoption strengthened the administrative capacity and enhanced compliance among riskier firms (Ali *et al.*, 2015). However, this comes with an important qualification – the study only estimated the effect on firms already registered for VAT. If increased enforcement via ESRMs incentivised firms to shift operations underground beyond the sight of the tax system, the revenue gains from ESRM use may be reduced through increased informality.

To enhance compliant behaviour towards fulfilling tax obligations, the government of Uganda, through the customs department, administered seizure activities on both dutiable goods and non-dutiable goods to manage the arrears management exercise. Figure 2 indicates that as much as the arrears collection exercise is on an upward trend over time, the stock of arrears is increasing in the same regard. This implies the performance of firms as a result of the enforcement processes.

Table 10 Malawi audit rates and revenues recovered by classification based on turnover

	2014/15				2015/16	
Section	Number of taxpayers audited	Percent of taxpayers audited	Revenue recovered	#taxpayers audited	% taxpayers audited	Revenue recovered
Large taxpayer unit	67	33%	14.6	92	14%	22.3
Medium and small taxpayer units	185	1%	5.2	354	1%	4.6

Source: 2015/2016 MRA Annual Report.

Figure 4 Arrears collection

Source: URA Database.

3.5.2 Segmentation

According to the International Centre for Tax and Development (ICTD), a tax audit for each taxpayer may not be economically viable or logical for a tax authority in both high-income and low-income countries. In any of these countries, less than 2 percent of taxpayers are audited annually, most of which are usually large taxpayers (*ibid*). Nonetheless, a tax audit conducted on a few large taxpayers in Malawi in 2015/16 enabled the Authority to recover some lost funds.

The MRA earmarked significant resources to audit large taxpayers, collecting nearly 70 percent of revenue from large taxpayers. This audit strategy is consistent with trends in high-income and low-income countries, where less than 2 per cent of taxpayers are audited in a year (Lemgruber *et al.*, 2015). Large taxpayers in Malawi are more likely to be audited than small and medium taxpayers, as earlier illustrated in Table 10. On average, the share of audited large taxpayers was 33 percent compared to only 1 percent of small and medium taxpayers in 2014/15. Of the 252 audit cases handled that year, 45 percent were comprehensive audits; 48 percent were issue-oriented audits; 7 percent were refund audits; and zero percent were desk audits. Similar proportions of audits were conducted in the 2015/16 fiscal year.¹¹

According to Deloitte (2019), large taxpayers are selected for audit by RRA regularly to elicit tax compliance. The RRA tends to audit two tax periods, but this can be extended on request by the taxpayer. Most audits are conducted onsite. The RRA may conduct a desk audit of the taxpayer's tax affairs where

they note discrepancies on tax returns filed by the taxpayer, anomalies with turnover, or any other situations that justify an audit. To implement the policy mandated to segment taxpayers effectively, greater efforts and financial resources should be earmarked for the large taxpayers contributing the greater portion of the tax revenue mobilised in Uganda.

According to Basri *et al.* (2019), Indonesian Revenue Authority has actualised the staffing requirements of the tax system by hiring adequate tax staff that can pay attention to taxpayers more uniformly, concerning the firm size. This thus helps in enforcing compliance to the taxpayers.

Furthermore, Bergolo *et al.* (2019) indicate the design of the Uruguayan tax system seems to confer some discretion on self-employed individuals to switch between different tax bases to minimize their tax liability. Therefore, studying the behaviour of this group is crucial to understand the behavioural responses to taxation at the top of the income distribution to enhance compliance.

Accordingly, URA should prioritise refund audits in light of the rising fraud where taxpayers overstate the amount to be refunded. This may involve assigning officers to do the following:

- Check that the returns filed are consistent,
- Comparative analysis of returns for different taxes,
- Comparative analysis of the main ratios against those for similar businesses in the same sector, and
- Cross-check against information received from other government agencies and third parties.¹²

¹¹ <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14699/ATAP14.pdf?sequence=1&isAllowed=y>

¹² <https://opendocs.ids.ac.uk/opendocs/bitstream/handle/20.500.12413/14699/ATAP14.pdf?sequence=1&isAllowed=y>

3.5.3 Strengthening the auditing and enforcement capacity.¹³

Countries like Georgia and Guinea took steps to improve audits and other verification measures, focusing on administering audits, combatting tax evasion and reducing corruption. In these countries, improvements in tax revenue collection coincided with intensified tax and customs audits (Carrillo *et al.* 2017). In Cambodia, the tax authority acquired software and trained its staff to enable the tax authority's electronic audit capability to comply with taxpayer electronic records.

However, the Peruvian tax administration has adopted an automated enforcement system to enhance the payment and collection of taxes. Previous approaches were characterised by a high dependence on physical notifications, a process high in cost and low in effectiveness. The e-notification system was implemented as part of SUNAT's strategic objective to facilitate voluntary tax compliance and increase tax debt recovery levels. The full implementation involved legislative change and the acquisition of scalable, secure and efficient software solutions for customer and content management. New versions of the Taxpayer Electronic Mailbox and SUNAT mobile app (App SUNAT) were launched to facilitate taxpayers' access to notifications. The new system has improved tax compliance, administrative costs, transparency, and communication. Since full implementation, more than 900,000 taxpayers across Peru have received notifications of administrative acts through this channel. More than 2 million payment Orders and 856,000 enforced collection resolutions have been issued electronically, reducing the notification time from 8 days to 2 hours. The number of customer complaints has decreased by 60 percent, while tax collection from e-notifications has increased by 9.4 percent. SUNAT estimates administrative savings of around USD 7.8 million.

3.5.4 Processing of VAT refunds

Properly managed and timely VAT refund is essential to ensure the tax is an efficient and pure tax on consumption. Any delay in VAT refunds would add a layer of "hidden costs" to registered firms and thus discourage investment. One of the challenges for developing economies' tax authorities is the ballooning VAT refunds.

Table 11 illustrates the time taken and costs involved for the different aspects of the VAT refund to take effect in Rwanda. The automatic VAT refund and the privileged person's refund take 30 days to be effective at a free cost. This suggests that Uganda could adopt a similar VAT refund strategy that would spur revenue growth rates to enable the country to achieve its development objectives.

Table 11 VAT refund in Rwanda

Service standards	Requirements	Timeline	Cost
Automatic VAT Refund	- VAT declaration form; - Proof of input tax on local purchases and imports;	30 days	Free
Privileged persons refund	Privileged persons: - An application letter - Diplomatic passport from their country - Diplomatic card from the Ministry of Foreign Affairs in Rwanda - Working visa in Rwanda - Account Number	30 days	Free
	Projects or NGO - Agreement between the government of Rwanda and the donor - Memorandum of understanding or agreement between the project or NGO and the government of Rwanda - Ratification of the agreement - Original invoices of the project or NGO - Photocopies of those invoices - Proof of payments - Invoices should respect law no 25/2005 of 04/12/2005 article 14 on tax procedure - Claim form indicating how much VAT is claimed, and the head of the project or NGO should sign it - Bank account number where to transfer the approved refund	30 days	Free

Source: https://rwandatrade.rw/media/RRA_service_charter_english.pdf

The Georgia Revenue Service (GRS) has broadly implemented a new VAT refund system in line with good international practice. However, refunds are not yet paid automatically, and no interest is paid on delayed refunds. In addition, GRS has implemented an automated risk-based verification

¹³ https://www.elibrary.imf.org/view/IMF001/25223-9781484361535/25223-9781484361535/25223-9781484361535_A001.xml

process that screens excess credit VAT returns. Preferential treatment is given to low-risk taxpayers. Data provided by the GRS in respect of the time taken to process VAT refunds show that 98.7 percent (by the number of cases) and 89.1 percent (by value) are processed (i.e., approved or declined) promptly—within 30 calendar days.

Once refund claims are approved, the amount is credited to the taxpayer account (the 'Green Card') accessible by the beneficiary through the taxpayer portal. Relatedly, this amount is not automatically paid but only when the taxpayer requests by clicking a payment button in the taxpayer portal. Upon request, the amount is credited to the taxpayer's bank account within one day. GRS plans started automatic refunding without request from November 2020. Budget funds are allocated by the Ministry of Finance (MoF) to meet legitimate refund claims when they occur. Furthermore, Georgia's tax code allows the offsetting of excess VAT and other credits against tax arrears but does not include interest payments on delayed refunds.

Table 12 Georgia's VAT refunds, August - September 2020

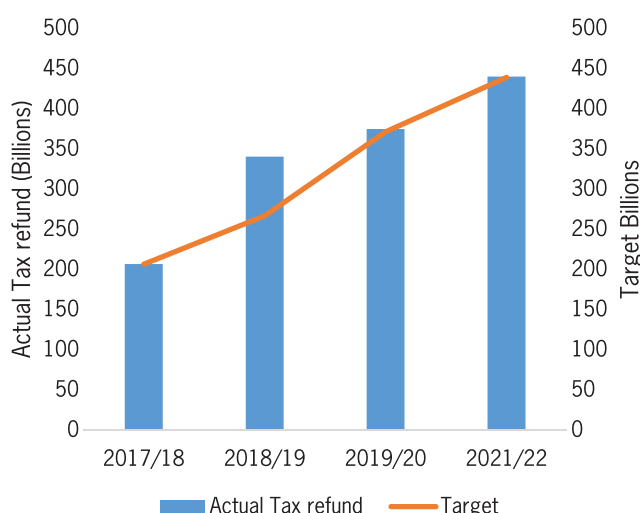
	Number of cases	Value in Georgian Lari
VAT refund claims received (A)	238,983	2,467,362,600
VAT refunds paid	226,417	1,815,775,500
<i>O/w paid within 30 days (B)</i>	224,112	1,722,090,335
<i>O/W paid outside 30 days</i>	2,305	93,685,165
VAT refunds claims declined	124,471	515,516,976
<i>O/w paid within 30 days (C)</i>	11,727	475,153,515
<i>O/W paid outside 30 days</i>	744	40,333,461
VAT refund claims not processed		428,480,326
O/w no decision was taken to decline the refund	1,206	56,427,549
O/W approved but yet to be paid or offset	1,206	372,052,777
Share of (B + C) to A (%)	98.8	89.2

Source: https://www.tadat.org/assets/files/Georgia_Final_PAR_2020.pdf

Uganda has recently intensified its refund processing by providing resources from the budget to support the process (Figure 5). The time process has been reduced to six months (URA 2022). However, there is scope for increasing the amount of resources (human, financial and capital) and

reducing the time of processing to one month as it is in Rwanda.

Figure 5 Trends in URA tax refund



3.5.5 Proof of identity and verification of compliance history

Subjecting VAT registration applications to proof of identity checks to prevent fictitious traders from entering the VAT system as implemented in Cambodia. For the case of Uganda, the VAT registration details should be linked to the national identification numbers of individual VAT payers. This would help to prevent payment where fraudulent refund claims are involved.

The tax authority in Cambodia invested in purpose-built, automated risk assessment software. This is used to review all VAT refund claims against risk criteria to distinguish refund claimants with a good compliance history from those with poor or unknown compliance histories. High-risk claims are subjected to pre-refund audits or other verification, while lower-risk cases may be subject to post-refund verification. Preferential treatment is given to low-risk taxpayers with a sound compliance history.

3.5.6 Transparent audit process

In regard to normal in-depth audits, the RRA is required to issue a taxpayer with a draft notice of assessment following the completion of the field audit. The draft assessment is referred to as a rectification note. The taxpayer is granted 30 days within which to respond. In case the tax issues are not resolved, a final notice of assessment is issued. The taxpayer

is allowed 30 days within which to appeal. Once an appeal is submitted to the Commissioner General, the RRA has 30 days to respond to the objection. This can be extended by another 30 days but not beyond this period. At this stage, the appeal is handled by the appeal committee, and the taxpayer and agent are invited for a meeting to provide explanations. Therefore, Uganda could adopt such a comprehensive audit approach to address cases of non-compliance.

Evidence from Rwanda further recommends to the Authority that tax audit cases must be reviewed by the independent panel review within the department that has no previous involvement with the audit or case work to review the technical merits of an audit position before the matter is finalised.

Relatedly, the Georgia Revenue Services (GRS) has an organisationally independent internal audit (IAD) function that reports directly to the Director General of GRS. The mandate of IAD accords with good international internal audit practice but for the absence of an audit committee to govern and support GRS internal audit activities. The audit mandate is well set out in an amended internal audit charter approved in July 2020. The IAD was established in 2017 but has only recently begun audit work, becoming fully resourced in August 2020. With a staff of nine, it has mainly focused on establishing the internal audit function, training, and developing key methodologies and practices to support its work. IAD has established a central repository for all GRS internal control policies, processes and procedures.

Furthermore, IAD estimates that it will take about three years before all relevant control information is sourced or developed. In line with good practice, the IAD will review internal audit operations and methods within three to five years. Uganda could borrow a leaf from these developments to iron out any discrepancies in the audit processes. In addition, transparent audit reforms have reduced the degree of informal operations and increased revenue to GDP in Georgia, as illustrated in Table 13. Therefore, Uganda should enhance its public institutions' functioning to promote increased compliance rates in the tax system.

Table 13 Impact of Georgia's transparent audit reforms

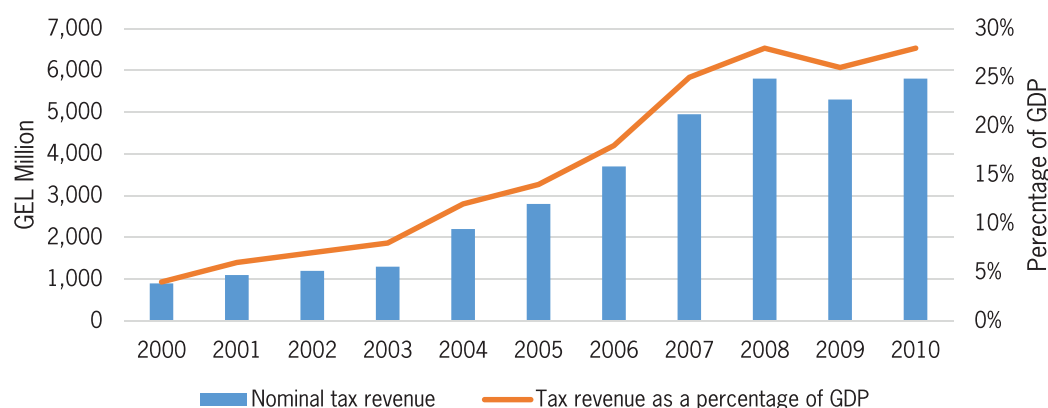
	Before Tax Reform	After Tax Reform
Number of taxes	22	6
Potential tax revenue as a percent of GDP	40-50%	28-30%
Actual tax revenue as a percent of GDP	15.6	23.40%
Compliance Rate	35%	78-85%

Source: <https://www.imf.org/external/np/seminars/eng/2011/revenue/pdf/rusuda.pdf>

3.5.7 Elimination of leakage of revenue within the tax system

To eliminate revenue leakage within the tax system, Nepal enhanced computerisation and strengthened operations in customs. As part of its new three-year reform programme, information sharing improved among offices by establishing a wide area network between headquarters in Kathmandu and the five most prominent customs offices by mid-March 2007. Customs processes were further automated within the existing ASYCUDA system, with assistance from Asian Development Bank and UNCTAD. In addition, the Department of Customs (DOC) streamlined customs clearance procedures at the largest customs point in Birgunj and implemented a selectivity module (risk-based clearance in six offices). The government amended the Customs Act to rationalise the tariff regime to improve customs administration. Drawing from the Customs Reform and Modernisation Action Plan (CRMAP, 2013-2017), the DOC has strengthened customs valuation processes and Post Clearance Audit (PCA), controlled revenue leakage, and balancing trade facilitation and regulatory intervention (Akitoby *et al.*, 2020).

Elsewhere, the Georgian government has strengthened the blockage of leakages in the tax system resulting from natural disasters, sabotage, loss or destruction of physical assets, failure of IT system hardware or software, strike action by employees, and administrative breaches. This has bolstered taxpayer confidence and trust in the tax administration, and ultimately, tax revenue as a percentage of GDP has witnessed an upward trend in the right direction (Figure 6).

Figure 6 Role of effective management and improved administration in Georgia

Source: <https://www.imf.org/external/np/seminars/eng/2011/revenue/pdf/rusuda.pdf>

3.6 Tax dispute resolution

Dispute resolution, independent, accessible, and efficient review mechanisms safeguard taxpayers' right to challenge a tax assessment and receive a fair hearing promptly. In Uganda, this process is enshrined in the legal framework, and taxpayers can dispute: (i) the accuracy of the facts used by the auditor, (ii) the correctness of the interpretation of the tax law, and (iii) the amount of penalties imposed by URA. URA has adopted a tiered review mechanism, starting with submission to the internal Objections and Appeals Unit (OAU) for an administrative review. Where a taxpayer is dissatisfied with the outcome of an administrative review, the case may be escalated to the Tax Appeals Tribunal (TAT). After TAT, taxpayers can seek further redress by going to the High Court. Currently, the tax administration is not adequately responsive, and the time taken to complete reviews is slow.

During FY2017/18, only 79.5 percent of cases were finalised within three months (Okello *et al.*, 2019). Between 2008 and 2016, TAT received an average of 38 new cases per annum and resolved an average of 28. Over this period, the number of cases grew by 25 percent while the number of pending cases increased by 38.5 percent, indicating that the pace of case resolution is not keeping up with the pace of new cases lodged (Sserunjogi and Lakuma, 2019). The high number of pending cases ties up large amounts of revenue and impacts business sentiment, as businesses are deterred from investing more by difficulties in resolving outstanding cases. Feedback from taxpayers suggests that

the administrative review process is not well streamlined, and there is a perception that it unduly favours the tax authority. In this regard, Okello *et al.* (2019) reported that the objective review mechanism is not uniform across the Uganda Revenue Authority. Particularly at the regional TAT offices, membership of the objections' committees in the four upcountry regions may sometimes include auditors different from those who audited the taxpayer.

To respond to the above inefficiencies in the tax dispute resolution process, the Government has undertaken several amendments to the TAT Act over the years. Below are some of the amendments undertaken. In July 2021, Section 27 of the TAT Act, which stipulates the appeals process to the high court from decisions of the tribunal, was amended to include two additional subsections, namely, 27A and 27B. These two subsections introduced modalities for appeals to the Court of Appeal from decisions of the High Court and appeal to the Supreme Court from decisions of the Court of Appeal, respectively. These two amendments were undertaken to streamline the appeals process, which was non-existent. In addition, subsection 11 was introduced under Part VII, "**Objections and Appeals**" of the Tax Procedures Code (Amendment) Act, 2021, to allow for alternative dispute resolution systems such as mediation, arbitration and conciliation and shorten dispute resolution time.

Furthermore, in 2022, the Act was reformed to increase the number of members of the Tribunal from four to eight in addition to the chairman. Despite these amendments, the

amount of tax trapped in disputes remains large, as further amendments are necessary. We discuss these below while comparing them with best practices from other jurisdictions, especially Kenya.

3.6.1 Digitalisation of the tax dispute process

Around the EAC region, Kenya has already amended its TAT Act to provide for partial digitalisation of the tax dispute resolution process. In addition, to paper filing, Kenya amended its TAT (2013) to allow for electronic filing of the notice to appeal to its TAT, electronic application for extension of time for filing a notice of appeal, electronic communication of hearing date and electronic withdrawal of an appeal. Developed countries that have embraced digitalisation in their tax dispute resolution systems include the United Kingdom, Canada, Germany, Hong Kong, and Singapore.

3.6.2 Publish the performance of the TAT operations

To improve awareness of the operations of the TAT and overcome the challenge of perceived lack of independence and autonomy in its operation. Germany publishes its TAT performance to the public through various media avenues annually. This helps the country increase transparency and accountability and establish realistic expectations among taxpayers. In this regard, the TAT performance report indicates the following, namely, the average length of the review process, the percentage of disputes resolved in favour of taxpayers, the share of objections and appeals rejected by the tax authority, the current backlog of cases, the average length of the objection and appeals processes, among others. At the same time, a detailed report of TAT performance is desirable, as stated above. URA and the TAT websites publish only the TAT court rulings, taxpayers' appeal rights, and dispute processes.

3.6.3 Institute mandatory full-time service of the TAT chairperson and committee members

Part II, Section 4 of Uganda's TAT Act states, "A tribunal member shall be appointed on a part-time or full-time basis". Currently, there is no mandatory requirement for the Chairperson and members of the TAT to serve full-time. To overcome the human resource constraints and ensure that the eight-member TAT committee now has more time to hear and conclude tax cases within a short time, the TAT Act needs to be further amended to enable the members

that constitute the Tribunal to serve on a full-time basis and relatively longer terms. This amendment has already been undertaken in Kenya. Unlike Uganda, the ten-member team comprising the TAT tribunal in Kenya is employed full-time and on longer terms. According to Kenya's TAT Act (amended) 2013, the TAT chairperson serves a term not exceeding five years and is not eligible for reappointment. Other TAT members serve for a term not exceeding three years and are eligible for reappointment for only a single term.

3.6.4 Appointment of the TAT chairperson and members

To demonstrate independence between TAT and the operations of URA and MoFPED among taxpayers. The TAT Act needs to be further amended to enable the appointment of the Chairperson and members of the Tribunal by the Judicial Service Commission (JSC). Currently, the Chairperson and TAT members are appointed by the minister of finance in consultation with the JSC.

In Malawi, the MRA has assigned officers and lawyers to render specialised tax advice to each large taxpayer. These are knowledgeable persons who know the dispute resolution process to break the information gap/public awareness of the tax system.

Therefore, tax tribunals (TAT) or tax courts composed of professional tax lawyers should be created so that when the taxpayer is dissatisfied with the outcome of the administrative appeals decision, the tax tribunal or courts will have to resolve the tax disputes as somewhat as most possible (Mayanja *et al.*, (2020)).

4 CONCLUSION AND POLICY RECOMMENDATION

This paper confirms the importance of a sound design of practices and characteristics of tax administration agencies to mobilize domestic tax revenue. It notes the need to combine compliance measures with policy and political support to yield the expected outcomes. The paper recommends the following to the government and development partners:

Segmentation of taxpayers:

The segmentation of taxpayers should be encouraged in different components of the compliance continuum. More

attention should be given to the large taxpayers through staff re-allocation to the Large Taxpayers Office (LTO) and individual large taxpayers. The assigned officer is a source of information on all matters relating to tax and ensures that they understand the taxpayers' business well, including how the business is performing.

Segmentation can also be implemented during taxpayer education, where seminars, workshops and awareness campaigns are done according to the categories of taxpayers (Large, medium and small) implemented in countries like Malawi. Regarding filing, notifications and formal letters should be sent to high net-worth taxpayers informing them of the Authority's awareness of their business operations and wealth and encouraging them to file their returns. Furthermore, tax audits and enforcement should be emphasised for high-net-worth taxpayers. In this case, URA should earmark significant resources for auditing large taxpayers.

For the case of small taxpayers, more effort should be invested in encouraging and supporting them to grow so that they can transition into large taxpayers in future. Investigations into the causes of the early death of small-scale businesses should be conducted, and solutions provided if the future tax register is to be expanded.

Rationalisation of human resources:

As mentioned earlier, the URA should reallocate resources to businesses/sectors where the most revenue is sourced. For example, businesses such as banks, telecom companies and others that contribute highly to domestic revenue should be allocated more human resources instead of a high concentration of staff on the many small taxpayers whose revenue contributions are very meagre.

Exploit ICT capabilities:

There is a need for the authority to leverage the available ICT, such as Electronic Fiscal Receipting and Invoicing Solution (EIFRIS), to enhance tax collection, for example, the inclusion of individual TINs on PAYE submissions for purposes of following up individual taxpayers. Technology should also be exploited in gathering information about all taxpayers through conducting business intelligence. In addition, the coordination of URA activities should be improved through automation.

Furthermore, there is a need to simplify the ICT platforms, such as the URA website, to ease access to information shared by the authority. The e-filing platforms should be simplified and complimented by a Centralised Return Processing Function.

Additionally, there is a need to enhance computerisation and strengthen operations in customs to eliminate revenue leakage within the tax system. Custom processes should be further automated within the ASYCUDA system.

High-volume automated crosschecking of amounts reported in tax declarations with the third party should also be implemented to screen large numbers of taxpayer records to detect discrepancies and encourage correct reporting.

Rationalise the PAYE system to reflect tax payment by not only the institution (withholding agent); but also by the taxpayer.

There is a need for automated coordination of different functions such as tax registration, filing, payment and enforcement to achieve expected outputs and outcomes (revenue).

Enhance URA analytical capabilities by using the large amount of data collected to enhance business intelligence to identify changing trends and emerging revenue sources.

Exploit ICT capabilities to follow up on the accountability of the final tax after payment of the 6 percent withholding tax.

Leveraging third-party information:

There is a need to remove uncertainty about the accuracy of the registration database and the number of active taxpayers by use of information technology to cleanse taxpayer records from different agencies such as URSB, local government, and KCCA, among others. The paper recommends integrating custom information technology systems, including the ASYCUDA World, single window, and Electronic Cargo Tracking System applications, with the e-Tax to track to cleanse the tax register.

Enact legislation:

To define institutional mandate in regard to data sharing for revenue enhancement. There is also a need to resolve the backlog in tax disputes.

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